(2)

No. 91-1043

In The

Supreme Court of the United States

October Term, 1991

PROFESSIONAL REAL ESTATE INVESTORS, INC., ET AL.,

Petitioners,

v.

COLUMBIA PICTURES INDUSTRIES, INC., ET AL.,

Respondents.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF OF RESPONDENTS IN OPPOSITION

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COUNTERSTATEMENT OF QUESTION PRESENTED

Whether the court of appeals correctly ruled that, under this Court's holdings in *California Motor Transport Co. v. Trucking Unlimited* and its progeny, a lawsuit brought with probable cause — which indisputably raised very close federal copyright issues of first impression — is immune from antitrust liability under the *Noerr-Pennington* doctrine.

LIST OF CORPORATE PARENTS AND SUBSIDIARIES REQUIRED BY RULE 29.1

The following is a list of publicly traded parent corporations, and of non-wholly owned subsidiaries,* of the respondents:

1. Columbia Pictures Industries, Inc.

Parent: Sony Corporation

Non-Wholly Owned Subsidiaries:

AFRAM, Inc.

American Motion Picture Export Company, Ltd.

EPS Entertainment Programming Services Ltd.

2. Embassy Pictures

Embassy Pictures ("Embassy") was a partnership that was dissolved in December 1985. On information and belief Embassy's liabilities were assumed either by NewEmbassy Pictures Inc., an affiliate of DeLaurentiis Entertainment Group, Inc., or by ELP Communications, a joint venture owned by affiliates of Columbia Pictures Industries, Inc.

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* Only first tier subsidiaries are listed.

LIST — Continued

3. Paramount Pictures Corporation

Parent: Paramount Communications, Inc.

Non-Wholly Owned Subsidiaries:

Agnes Limited Partnership, The
Entertainment Tonight
All Is Forgiven Productions
America Today
MacGyver Productions
PPC Space Production
Taking Advantage
One and Only Joint Venture, The (J.V.)
Long Road Productions
Newdon Productions

4. Twentieth Century Fox Film Corporation

Parent: The News Corporation Limited

Non-Wholly Owned Subsidiaries:

Ansett Worldwide Aviation, Inc.
Combined Broadcasting Inc.
(Grant Broadcasting)
EPS Entertainment Programming Services Ltd.
Produzione Artistiche Internationali
Distribuidora Difox, C.A.
Twentieth Century Fox Italy S.P.A., Inc.
Les Productions Fox Europa S.A.
Cinemas Fox-Serveriano Ribeiro Ltd.
Columbia-Fox O.E.
Fox/Col Film Distributors Inc.
Hoyts Fox Columbia TriStar Films Pty. Ltd.
Puerto Rican Film Service
British Movietonenews Ltd.

LIST — Continued

FoxVideo (Holdings) Ltd.
FoxVideo Ltd.
U.K. Film Distribution Ltd.

5. Universal City Studios, Inc.

Parent: Matsushita Electric Industrial Co., Ltd.

Non-Wholly Owned Subsidiaries:

None

6. Walt Disney Productions

Walt Disney Productions, now known as The Walt Disney Company, a publicly traded corporation, has no parent company and no non-wholly owned subsidiaries.

7. Warner Bros. Inc.

Parent: Time-Warner, Inc.

Non-Wholly Owned Subsidiaries:

AFRAM Films, Inc.
Motion Picture Export Association of America, Inc.
American Motion Picture Export Company, Inc.
Chatham Music Corporation
Lombardo Music, Inc.
Rodart Music Corporation
Shubert Music Publishing Corporation
Vernon Music Corporation

LIST — Continued

8. CBS Inc.

CBS Inc., a publicly traded corporation, has no parent company and has the following non-wholly owned subsidiaries:

Bala Cynwyd Associates
The CBS/FOX Company
CBS/FOX Video (Holdings) Ltd.
CBS/FOX Video (New Zealand) Limited
CBS/FOX Video (Italia) S.p.A.
CBS Gramaphone Records & Tapes (India) Ltd.
CBS/MTM Company
Meadowlands Parkway Associates
Network Television Association

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COUNTERSTATEMENT OF THE CASE

The opinion of the court of appeals is neither remarkable nor unique. Applying antitrust principles first established by this Court in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972), the court of appeals merely reaffirmed that, where a lawsuit is not baseless — indeed, where, as here, the suit raises difficult federal copyright issues of first impression — it is immune from antitrust attack under the *Noerr-Pennington* doctrine[1] even if plaintiffs' motives for bringing the suit are alleged to have been improper. This case thus involves no unsettled question of federal law. It simply involves a routine application of well accepted antitrust principles that this Court has repeatedly confirmed in several decisions over the last twenty years.

Respondents produce and distribute copyrighted motion pictures. In 1983, they brought a copyright infringement action against petitioners, the owners of a resort hotel called La Mancha Private Club and Villas ("La Mancha"), alleging that petitioners were violating the exclusive public performance rights in respondents' copyrighted motion pictures by renting videodiscs of those pictures to La Mancha's guests for viewing on disc players installed in La Mancha's guest rooms. (Appendix to Petition for Writ of Certiorari ("App.") 4a-5a, 40a). Petitioners denied liability and counterclaimed for alleged violations of Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 and 2). (App. 5a.).[2] In support

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[1] *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers v. Pennington*, 381 U.S. 657 (1965).

[2] The counterclaims also alleged violations of state unfair competition laws. (*Id.*) The Petition for Writ of Certiorari, however, does not seek review of any issues relating to petitioners' state law claims.

of their antitrust claims, petitioners asserted that respondents' copyright infringement suit was a sham, brought for the purpose of monopolizing and restraining trade. (App. 5a).

In January 1986, the district court, noting that respondents' copyright lawsuit raised a "very close" issue[3] "of first impression",[4] entered a summary judgment dismissing the suit. (App. 38a). The district court's decision drew heavy press coverage,[5] as well as criticism from leading copyright scholars.[6] Nevertheless, in January 1989, after two appellate hearings and two years of deliberation, the Ninth Circuit, observing that in this case "technology has . . . leapfrogged statutory schemes", affirmed the district court's judgment. (App. 5a; 27a n.*, 36a-37a).[7]

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[3] March 24, 1986 Reporters Transcript 3 (Appendix 1 hereto).

[4] App. 44a (¶1).

[5] *See e.g., The Copyright Law Journal*, Vol. II, No. 9 at 102-103 (May, 1986); Selsky, *The Year in Review*, Los Angeles Lawyer, April 1986, at 14, 20; Breen, *Hotel Movie Renting Gets Green Light*, Hotel and Motel Marketing Magazine, March 17, 1986, at 55; *Watching Rented Movies In Hotel Rooms Produces No Violation Of Copyright Act*, 54 L.W. 1118, 2383, Feb. 4, 1986; *Rental of Videodisc movies to resort guests was not a public performance in violation of motion picture studios' copyright interests, rules Federal District Court in California*, Entertainment Law Reporter, Vol. 7, No. 9 at 10 (February, 1986); *Copyrights-Hotel Rooms Are Not Public Places Under Copyright Act*, 31 Pat. Trademark & Copyright J. (BNA) No. 764, at 223 (Jan. 23, 1986); *Kuyper Leaving MGM/UA for New Vidtape Venture*, Daily Variety, Jan. 14, 1986 at 1; *Studios Lose Video Case*, T.V. Digest, Jan 6, 1986 at 14; Chiang, *New Ruling Muddies Video Copyright Law*, L.A. Daily Journal, Dec. 27, 1986, at 3.

[6] 1 P. Goldstein, *Copyright: Principles, Law and Practice*, § 5.7.2.2 at 616-19 (1989); 2 M. & D. Nimmer, *Nimmer on Copyright*, § 8.14[C] at 8-141-146 (1988).

[7] The Ninth Circuit's opinion also drew criticism. *See Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1020 (7th Cir. 1991), *cert. denied*, 112 S.Ct. 181 (1991).

After remand, respondents moved for summary judgment on petitioners' antitrust counterclaims, contending that, because respondents' copyright suit was brought with probable cause (*i.e.*, it was not baseless), as a matter of law the suit could not be deemed a sham undeserving of *Noerr-Pennington* protection. In opposing the motion, petitioners never disputed that the copyright infringement action was brought with probable cause. (App. 11a, 15a). Instead, relying on F.R.Civ.P. 56(f), petitioners requested a continuance to permit them to conduct discovery concerning respondents' motives for bringing the copyright action. (App. 17a-18a).

On March 2, 1990, the district court, refusing to permit further discovery, granted respondents' summary judgment motion, ruling that respondents' copyright infringement action "was not a sham and that, under the Noerr-Pennington doctrine, the counterclaim must be dismissed." (App. 23a). The court reasoned:

> It was clear from the manner in which the [copyright] case was presented that the plaintiff was seeking and expecting a favorable judgment. Although I decided against the plaintiff, the case was far from easy to resolve, and it was evident from the opinion affirming my order that the Court of Appeals had trouble with it as well. I find that there was probable cause for bringing the action . . .

(App. 24a).

In response to petitioners' request for discovery regarding respondents' motives for bringing the copyright action, the district court ruled that where, as here, an action is brought with probable cause, it is immune from antitrust liability under *Noerr-Pennington* even if it was brought for improper purposes. (App. 24a). Discovery regarding respondents' motives was therefore irrelevant. (*See* App. 17a-18a).

On September 24, 1991, the court of appeals affirmed. The court, citing *California Motor Transport*,

first held that, where there have been no misrepresentations in the adjudicatory process, "a suit brought with probable cause does not fall within the sham exception to the *Noerr-Pennington* doctrine." (App. 11a, 16a). The court then ruled that, because petitioners did not allege that respondents' copyright action involved any misrepresentation, the district court's unchallenged finding that the copyright action was brought with probable cause rendered petitioners' sham litigation claim deficient as a matter of law. (App. 11a, 15a). The court explained:

> Because the sham exception to the *Noerr-Pennington* rule may have a chilling effect on those who seek redress in the courts, we have held that the exception should be applied with caution. [citation omitted]. We see no basis for holding that a suit brought with probable cause in fact and law may be a sham. Such a holding would erode the first amendment right to petition that is the basis for the *Noerr-Pennington* doctrine, *see Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 137-38 (1961), by imposing the risk of treble damages for initiating a suit based on a well-founded, but untested, legal theory.
>
> In the present case, the Movie Studios' copyright infringement suit presented an issue of first impression both at the district court level and in this circuit. The first amendment right of petition is particularly strong in such a case. The district court concluded that the lawsuit was brought with probable cause and presented issues that were difficult to resolve. This finding, which PRE does not challenge, precludes the application of the sham exception as a matter of law. [footnote omitted]

(App. 14a-15a).[8]

In rejecting petitioners' sham litigation claim, the court of appeals carefully examined, and expressly followed, this Court's decisions in *California Motor Transport* and its progeny. (App. 11a, 13a n. 7, 14a, 16a n. 10 and accompanying text). The sole issue presented by the petition is whether the court of appeals properly applied the principles established in those decisions to the facts of this case. For the reasons set forth below, this issue does not warrant this Court's review.

REASONS FOR DENYING THE WRIT

Repeating the plea of virtually every dissatisfied litigant that petitions this Court for review, petitioners in this case assert that review of the court of appeals' opinion is necessary to correct "clear error" and to "provide uniformity among the circuits." (Petition For Writ Of Certiorari ("Pet.") 8). Petitioners are wrong. The court of appeals' opinion is consistent in all respects with the decisions of this Court and creates no intercircuit conflict meriting review. The Petition for Writ of Certiorari should therefore be denied.

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[8] In addition to their sham litigation claim, petitioners further alleged in the lower courts that respondents violated the Sherman Act by purportedly engaging in other anticompetitive conduct external to the copyright infringement suit. (App. 5a, 7a-8a). Petitioners, however, failed to show that any of this other alleged misconduct caused them to suffer antitrust injury, and the lower courts therefore ruled that petitioners' allegations of additional misconduct could not, as a matter of law, support petitioners' antitrust claims. (App. 9a-10a). Petitioners do not challenge that ruling in this Court.

I.

THE COURT OF APPEALS CORRECTLY APPLIED THE PRINCIPLES ESTABLISHED IN *CALIFORNIA MOTOR TRANSPORT* AND ITS PROGENY IN CONCLUDING THAT, BECAUSE RESPONDENTS' COPYRIGHT ACTION WAS BROUGHT WITH PROBABLE CAUSE, IT IS IMMUNE FROM ANTITRUST LIABILITY UNDER THE *NOERR-PENNINGTON* DOCTRINE

As both the district court and court of appeals recognized, petitioners' fundamental problem is that respondents' copyright infringement action was brought with probable cause, *i.e.*, it was not baseless (App. 15a, 24a), and "a suit brought with probable cause does not fall within the sham exception to the *Noerr-Pennington* doctrine". (App. 16a). Petitioners do not challenge the lower courts' determination that the copyright action was brought with probable cause. Instead, they contend that even a meritorious suit may be deemed a sham undeserving of *Noerr-Pennington* immunity if the suit was brought with improper subjective intent, and that the Ninth Circuit erred by holding otherwise. (Pet. 7-8). This contention, however, directly conflicts with this Court's decisions as to the strict limits of the sham exception.

Commencing with *Noerr*, the Court has consistently held that the First Amendment right to petition government immunizes joint efforts to induce lawful government action — including petitions to the courts — from antitrust liability.[9] As petitioners acknowledge, the Court has also uniformly held that this broad, constitutionally based immunity can only be lost in those narrow circumstances where the petitioning activity is

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[9] *City of Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344, 1353 (1991); *Bill Johnson's Restaurants, Inc. v. N.L.R.B.*, 461 U.S. 731, 741 (1983); *California Motor Transport*, 404 U.S. at 509-10; *Pennington*, 381 U.S. at 669-70; *Noerr*, 365 U.S. at 137-38.

deemed a "mere sham."[10] The Court, moreover, has repeatedly made clear that, to bring the filing of a lawsuit within the sham exception, an antitrust plaintiff must show both that the suit was filed for an improper purpose and also that the suit was baseless or that the antitrust defendant committed fraud or other abuses in the judicial process.

In *California Motor Transport* — the Court's first decision applying the sham exception to court petitions — the Court held that litigation brought for an anticompetitive purpose would fall within the sham exception if, in addition to being brought with wrongful intent, the litigation was part of a "pattern of baseless, repetitive claims" or involved misrepresentations or other abuses (such as perjury, bribery or patent fraud) in the adjudicatory process. 404 U.S. at 511-13. Similarly, in *Otter Tail Power Company v. United States*, 410 U.S. 366 (1973), the Court held that use of the judicial process for the improper purpose of suppressing competition would come within the sham exception if that improper purpose were "evidenced by repetitive lawsuits carrying the hallmark of *insubstantial* claims." *Id.* at 380 (emphasis added).

In the nineteen years since *Otter Tail* the Court and its individual Justices have consistently adhered to the notion that, to be deemed a sham subject to potential antitrust liability, a lawsuit must either be baseless or involve fraud or other abuses in the adjudicatory process. For example, in *Vendo Co. v. Lektro-Vend Corp.*, 433 U.S. 623 (1977) — a 3-2-4 decision[11] — six Justices

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[10] *City of Columbia*, 111 S.Ct. at 1354-55 (quoting *Noerr*, 365 U.S. at 144); *Bill Johnson's Restaurants*, 461 U.S. at 741; *California Motor Transport*, 404 U.S. at 511-13. *See Opdyke Development Co. v. City of Detroit*, 883 F.2d 1265, 1273 (6th Cir. 1989) ("the sham lawsuit exception to the *Noerr-Pennington* doctrine is a 'narrow one' ").

[11] The plurality opinion in *Vendo* did not discuss the circumstances under which a lawsuit may be deemed a "sham" and, hence, a potential antitrust violation. *See* 433 U.S. at 635 n. 6.

of the Court reaffirmed that a lawsuit must be baseless, or involve misrepresentations or other abuses in the judicial process, to lose *Noerr-Pennington* immunity. *See* 433 U.S. at 644 n. *. (Blackmun, J., concurring) (under *California Motor Transport*, a state court lawsuit may be enjoined as an antitrust violation only upon a showing of "a pattern of baseless, repetitive claims or some equivalent showing of grave abuse of the state courts"); *id.* at 652, 662 (Stevens, J., dissenting) (under *California Motor Transport*, "frivolous claims" — such as a single baseless lawsuit or suits based on patents obtained by fraud — may be enjoined as antitrust violations).[12]

Similarly, in *Bill Johnson's Restaurants, Inc. v. N.L.R.B.*, 461 U.S. 731 (1983), the Court, applying the principles of *Noerr-Pennington's* antitrust sham exception to actions governed by the National Labor Relations Act, confirmed that lawsuits brought with a reasonable basis in fact and law enjoy absolute First Amendment immunity under federal law and that only "insubstantial" or "baseless" claims may lose that immunity. 461 U.S. at 742-44.[13] In so holding, the Court expressly adopted the antitrust principles announced in *California Motor Transport*, stating that it would "follow a similar course under the NLRA". 461 U.S. at 744. *See also Omni Resource Development Corp.*

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[12] In his dissent in *Vendo*, Justice Stevens also observed that a state court action to enforce a restrictive covenant valid under state law, but "plainly violative of the Sherman Act", should also be enjoinable as an antitrust violation. 433 U.S. at 652-53, 663-64. No effort to enforce such a restrictive covenant, however, was involved in the federal copyright infringement suit at issue here.

[13] Based on these immutable concepts, the Court held in *Bill Johnson's Restaurants* that the National Labor Relations Board "may not halt the prosecution of a state-court lawsuit, regardless of the plaintiff's motive, *unless the suit lacks a reasonable basis in fact or law.* Retaliatory motive and *lack of reasonable basis* are both essential prerequisites to the issuance of a cease-and-desist order against a state suit." 461 U.S. at 748-49 (emphasis added).

v. Conoco, Inc., 739 F.2d 1412 (9th Cir. 1984) (Kennedy, J.).[14]

Ignoring completely this Court's opinions in *Otter Tail* and *Vendo* (and the Court's discussion in *California Motor Transport* of baseless or fraudulent suits as the hallmarks of sham litigation), petitioners suggest that the Court's recent decisions in *City of Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344 (1991), and *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492 (1988), establish that an antitrust defendant's motive for initiating and prosecuting petitioning activity is the sole criterion for determining whether the petitioning activity is a sham. (Pet. 12-13). Petitioners' reading of *City of Columbia* and *Allied Tube* is erroneous. Although both cases made clear that an antitrust plaintiff must demonstrate a defendant's wrongful intent to prevail on a sham petitioning claim, neither case held that improper motive is, by itself, sufficient to render the petitioning activity a sham. To the contrary, in each of these cases the Court once again indicated that baselessness is an essential prerequisite for a finding of sham. *See City of Columbia*, 111 S.Ct. at 1354 ("A classic example [of the sham exception] is the filing of *frivolous* objections to the license application of a competitor, with no expectation of achieving denial of the license but simply in order to impose expense and delay." (emphasis added)); *Allied Tube*, 486 U.S. at 502 (successful petitioning activity — which, as the Ninth Circuit observed (App. 13a), is obviously based on probable cause — "certainly cannot be characterized as a sham").

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[14] In *Omni Resource*, Judge Kennedy stated: "The usual example given for a sham suit is one which is part of a pattern of *baseless* and repeated claims. (citing *Otter Tail*). When the antitrust plaintiff challenges one suit and not a pattern, a finding of sham *requires* not only that the suit is *baseless*, but also that it has other characteristics of grave abuse . . . " (citing *Vendo*, 433 U.S. at 644 n. * (concurring opinion)). 739 F.2d at 1413-14 (emphasis added).

Despite this unbroken line of Supreme Court decisions, petitioners contend that the Ninth Circuit erred by refusing to permit further discovery on the issue whether respondents intended to disadvantage petitioners through the litigation process (rather than through the outcome of the process).[15] Petitioners are wrong. For, as *California Motor Transport* and its progeny make clear, a mere improper motive, no matter how venal, is insufficient to render a *non-baseless* lawsuit, involving no fraud or other abuses in the judicial process, a "mere sham" subject to potential antitrust liability. Since respondents' copyright infringement action involved no fraud or other abuses in the judicial process and was indisputably brought with probable cause — and hence was not baseless — an examination of respondents' motives in bringing the action was, as the Ninth Circuit properly ruled, unnecessary and irrelevant.[16] The Ninth Circuit's refusal to permit further discovery regarding respondents' motives for bringing their copyright action therefore provides no basis for review.

Petitioners also contend that the court of appeals erred in applying the reasoning underlying the Court's interpretation of the National Labor Relations Act in *Bill Johnson's Restaurants* to the antitrust issues in

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[15] Pet. 8-18. *See City of Columbia*, 111 S.Ct. at 1354 ("The 'sham' exception to *Noerr* encompasses situations in which persons use the governmental *process* — as opposed to the *outcome* of that process — as an anticompetitive weapon." (emphasis in original)).

[16] The Ninth Circuit did not, as petitioners assert (Pet. 19), "completely reject" inquiry into intent in cases involving the sham exception. It merely held that examination of subjective intent is not necessary in those cases where the allegedly sham lawsuit was indisputably brought with probable cause and involved no fraud on the court. (App. 11a, 18a). *Compare Rickards v. Canine Eye Registration Foundation*, 783 F.2d 1329, 1334 (9th Cir. 1986), *cert. denied*, 479 U.S. 851 (1986) (baseless lawsuit brought with "anticompetitive motivation" held a sham subject to antitrust liability).

this case. (Pet. 13-17). This contention lacks merit. Although *Bill Johnson's Restaurants* arose in a labor law context, its holding — that to be condemned under federal labor law a suit must be both baseless and brought for an improper purpose — is in complete harmony with the Court's opinions in *California Motor Transport* and *Otter Tail* and the opinions of Justices Blackmun and Stevens in *Vendo*. Indeed, as noted above, the Court expressly based its holding in *Bill Johnson's Restaurants* on its discussion in *California Motor Transport* of the antitrust sham exception. 461 U.S. at 744.[17] That the court of appeals relied, in part, on this Court's decision in *Bill Johnson's Restaurants* (which, in turn, reaffirmed the antitrust principles announced in *California Motor Transport*) thus provides no basis for review of the lower court's proper application of the sham exception in this case.

II.

REVIEW OF THE COURT OF APPEALS' OPINION IS NOT WARRANTED BY ANY INCONSISTENCY OR CONFUSION AMONG THE CIRCUITS

Disregarding this Court's well-established standards for determining when a lawsuit may fall within the sham exception (*see* § I., *supra*), petitioners assert that review of the court of appeals' decision is necessary to secure uniformity among the circuits as to the standards under which a lawsuit may be deemed a sham. (Pet. 18-26). According to petitioners, "[t]he standards

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[17] *Bill Johnson's Restaurants* also relied on a commentator's remarks regarding the antitrust sham exception to *Noerr-Pennington*. *See* 461 U.S. at 743 (" 'The first amendment interests involved in private litigation . . . are not advanced when the litigation is based on *intentional falsehoods or on knowingly frivolous claims*. Furthermore, since sham litigation by definition does not involve a bona fide grievance, it does not come within the first amendment right to petition.' " (quoting Balmer, *Sham Litigation and the Antitrust Laws*, 29 Buffalo L.Rev. 39, 60 (1980)) (emphasis added)).

of the circuit courts on these issues vary widely" (Pet. 19) and all are in conflict with the Ninth Circuit's opinion here. (Pet. 18-26). Petitioners are wrong. With the exception of an anomalous, divided, decision from the Fifth Circuit — which has been discredited by a subsequent decision of this Court — the Ninth Circuit's opinion is in complete harmony with the decisions of all other circuits. The court of appeals' opinion thus raises no intercircuit conflict meriting review by this Court.

Despite petitioners' contrary assertion, the Ninth Circuit's holding is in total accord with the decisions of the Second,[18] Third,[19] Fourth,[20] Eighth,[21]

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[18] *Juster Associates v. City of Rutland, Vermont*, 901 F.2d 266, 271 (2d Cir. 1990) ("to be immune, participation in administrative or judicial processes must be for the purpose of asserting *colorable* claims within the jurisdiction of the particular tribunal" (emphasis added)); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 896-7 (2d Cir. 1981) ("abuse of the administrative and judicial process through unethical lawyer conduct and repetitive filing of insubstantial claims is unprotected by the *Noerr-Pennington* immunity. . . . The right to petition the courts for the redress of grievances does not protect abuse of the judicial process through the institution and subsidization of baseless litigation and delay of its final resolution, solely to harass and hinder a competitor.").

[19] *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984) (success on merits of copyright infringement claim precludes finding of sham).

[20] *Eden Hannon & Co. v. Sumitomo Trust & Banking Co.*, 914 F.2d 556, 565 (4th Cir. 1990), *cert. denied*, 111 S.Ct. 1414 (1991) (holding that successful suit cannot be a sham and rejecting argument "that regardless of merit, a suit can be a sham if it was brought for the *purpose* of being a sham" (emphasis in original)).

[21] *Razorback Ready Mix Concrete Co., Inc. v. Weaver*, 761 F.2d 484, 487 (8th Cir. 1985) (" 'It is only where a defendant's resort to the courts is accompanied or characterized by illegal and reprehensible practices such as perjury, fraud, conspiracy with or bribery of government decision makers, or misrepresentation, or is so clearly baseless as to amount to an abuse of process, that the *Noerr-Pennington* cloak of immunity provides no protection' ", quoting *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,054 (S.D. Ohio 1981)); *Alexander v.*

(Continued on following page)

Tenth,[22] Eleventh,[23] and District of Columbia[24] Circuits. Each of those circuits, like the Ninth Circuit, holds that to be deemed a sham a lawsuit must, at a minimum, either be baseless or involve misrepresentations or other abuses (*e.g.*, perjury, bribery, patent fraud) in the adjudicatory process. (*See* notes 18-24, *supra*). No decision from any of those circuits has held, as petitioners would have this Court hold here, that a non-baseless suit, involving no fraud or other abuse in the adjudicatory process, was a sham solely because the suit was allegedly brought for an improper purpose.

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National Farmers Organization, 687 F.2d 1173, 1200 (8th Cir. 1982), *cert. denied*, 461 U.S. 937 (1983) ("Notwithstanding the foregoing evidence of intent, we cannot say that the legal claims against [the antitrust plaintiff] were so groundless as to come within the 'sham litigation' exception to the *Noerr-Pennington* doctrine.").

[22] *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1176-77 (10th Cir. 1982) ("A *sham* action is one which tends to be abusive of the judicial process and, therefore, is something more than an action instituted without probable cause". *Id.* at 1177); *Adolph Coors Co. v. A&S Wholesalers, Inc.*, 561 F.2d 807, 812 (10th Cir. 1977) (because issue in prior lawsuit was sufficiently difficult to warrant Supreme Court review, the suit was not a sham); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290-92 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975) (successful suit cannot be sham).

[23] *St. Joseph's Hospital, Inc. v. Hospital Corp. of America*, 795 F.2d 948, 955 (11th Cir. 1986) (employment of "every available legal means" in litigation, unaccompanied by misrepresentations in the adjudicatory process, is not sham).

[24] *Federal Prescription Service, Inc. v. American Pharmaceutical Assn.*, 663 F.2d 253, 266 (D.C. Cir. 1981), *cert. denied*, 455 U.S. 928 (1982) (litigation not sham where it "was *not* baseless, . . . there was no showing of any abuse of the judicial process, and . . . [the antitrust plaintiff] . . . was not denied meaningful access to the appropriate judicial forums" (emphasis in original)).

The Ninth Circuit's opinion is also consistent with the decisions from the Sixth[25] and Seventh[26] Circuits, upon which petitioners rely. Those decisions, like the Ninth Circuit's opinion here, hold that a suit brought with probable cause may be deemed a sham if the suit involved some overt act abusive of the judicial process.[27] Some of the Sixth and Seventh Circuit decisions (*Westmac, Premier, Grip-Pak*), unlike the Ninth Circuit's opinion, also speculate that hypothetical fact situations might arise where a non-baseless suit, involving no abusive conduct,could still be deemed a sham if "the stakes, discounted by the probability of winning, would be too low" to justify bringing the suit for any purpose other than suppressing competition.[28] However, no such factual situations were actually present in *Westmac, Premier,* or *Grip-Pak*.[29] Nor are such facts alleged by

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[25] *Opdyke Investment Co. v. City of Detroit*, 883 F.2d 1265 (6th Cir. 1989); *Westmac, Inc. v. Smith*, 797 F.2d 313 (6th Cir. 1986), *cert. denied*, 479 U.S. 1035 (1987).

[26] *Premier Electrical Construction Co. v. National Electrical Contractors Assn., Inc.*, 814 F.2d 358 (7th Cir. 1987); *Winterland Concessions Co. v. Trela*, 735 F.2d 257 (7th Cir. 1984); *MCI Communications v. American Tel. & Tel. Co.*, 708 F.2d 1081 (7th Cir. 1983), *cert. denied*, 464 U.S. 891 (1983); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982), *cert. denied*, 461 U.S. 958 (1983).

[27] *Opdyke*, 883 F.2d at 1273; *Premier*, 814 F.2d at 375 ("perjury and fraud in the conduct of litigation"); *Westmac*, 797 F.2d at 319 n. 10, 320 n. 12; *id.* 320-23 (dissenting opinion); *Winterland*, 735 F.2d at 263; *MCI Communications*, 708 F.2d at 1156; *Grip-Pak*, 694 F.2d at 470-72. *See also Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746 at 71,618-619 (W.D. Wash. 1982) (successful suit may be deemed a sham if the antitrust defendant prevailed in the suit by making misrepresentations to the court).

[28] *Premier*, 814 F.2d at 372; *Westmac*, 797 F.2d at 319 n. 9; *Grip-Pak*, 694 F.2d at 472. *See also State of South Dakota v. Kansas City Southern Industries Inc.*, 880 F.2d 40, 54 n. 30 (8th Cir. 1989), *cert. denied*, 493 U.S. 1023 (1990).

[29] *Id.*

petitioners here. To the contrary, as both the district court and Ninth Circuit held (App. 15a, 24a, 36a-37a, 44a (¶ 1)), this case indisputably involved an important and difficult federal copyright issue of first impression, which is "the kind of question that has to be tested in the Court." *Aircapital Cablevision, Inc. v. Starlink Communications Group, Inc.*, 634 F.Supp. 316, 322 (D. Kan. 1986). Indeed, the importance of the issue raised in respondents' copyright suit was vividly underscored by the wide press coverage (note 5, *supra*) and criticism from leading copyright scholars (note 6, *supra*) that the district court's decision in the suit generated. This case is therefore an inappropriate vehicle for addressing the hypothetical situation posited by *Westmac, Premier* and *Grip-Pak*.

The court of appeals' opinion is, in sum, consistent with the decisional law of virtually every other circuit. In fact, the Ninth Circuit's opinion directly differs with only one circuit court decision: the Fifth Circuit's 2-1 decision in *In Re Burlington Northern, Inc.*, 822 F.2d 518 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988) (*see* App. 11a-14a). In *Burlington Northern*, the Fifth Circuit held, in contrast to the court of appeals' opinion here (App. 16a), that a successful (*i.e.*, nonbaseless) lawsuit could theoretically be deemed a sham solely because the suit was not "significantly motivated by a genuine desire for judicial relief." 822 F.2d at 528.[30] For the reasons discussed below, however, the Ninth Circuit's disagreement with *Burlington Northern* does not merit review in this case.

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[30] The Fifth Circuit's decision in *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983) does not, as petitioners appear to suggest (Pet. 23-24), hold — like the majority opinion in *Burlington Northern* — that non-baseless litigation may be deemed a sham merely because it was brought for an improper purpose. To the contrary, *Coastal States* indicates that even an improperly motivated lawsuit is protected by *Noerr* if it presents "a genuine legal dispute." *Id.* at 1372, citing *Alexander v. National Farmers Organization*, 687 F.2d at 1200. *See* note 21, *supra*.

First, it is not at all clear that the opinion of the panel majority in *Burlington Northern* represents a true conflict between the Fifth and the Ninth Circuits. Just two years before the decision in *Burlington Northern,* the Fifth Circuit held — in stark contrast to the panel majority in *Burlington Northern,* and in complete accord with the reasoning of the court of appeals' decision in this case — that non-baseless petitioning *cannot* be deemed a sham. *Greenwood Utilities Commission v. Mississippi Power Co.,* 751 F.2d 1484, 1498-1500 (5th Cir. 1985) (Higginbotham, J.).[31] The panel majority in *Burlington Northern,* however, neither overruled nor distinguished the unanimous decision in *Greenwood.* Because the Fifth Circuit has not reconciled the inconsistency between *Greenwood* and *Burlington Northern,* there is not yet a sufficient basis for concluding that the Ninth Circuit's disagreement with *Burlington Northern* represents a true intercircuit conflict (rather than a mere Fifth Circuit *intra*circuit conflict) warranting this Court's intervention.

Second, the panel majority's 1987 holding in *Burlington Northern — i.e.,* that successful petitioning can be deemed a sham — was severely undercut by this Court's intervening decision in *Allied Tube & Conduit Corp. v. Indian Head, Inc.,* 486 U.S. 492 (1988), in which the Court ruled that successful petitioning in the legislative arena *cannot* be deemed a sham.[32] For this

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[31] In *Greenwood,* Judge Higginbotham wrote: "Only where evidence shows that the defendant knew or should have known that the action he sought was improper [*i.e.*, that the action was baseless] would a court be justified in labeling his petitions a 'sham' not entitled to *Noerr-Pennington* protection. . . . it is safe to say that in the absence of proof of a conspiracy with government officials, when a defendant succeeds, as here, in persuading the government to adopt his position, his petitioning conduct should not be considered sham activity." *Id.* at 1500.

[32] *Id.* at 502 ("The effort to influence governmental action in this case certainly cannot be characterized as a sham given the actual adoption of the 1981 Code into a number of statutes and local ordinances.").

reason alone, the Ninth Circuit's disagreement with the majority opinion in *Burlington Northern* provides an inadequate basis for review. *See* R. Stern, E. Gressman and S. Shapiro, *Supreme Court Practice,* Sixth Edition (1986) 201 ("A conflict with a decision which has been discredited . . . by reason of intervening decisions of the Supreme Court . . . will not be an adequate basis for granting certiorari.").

Third, the disagreement between the Ninth Circuit and the panel majority in *Burlington Northern* has not been aired sufficiently in the lower courts to merit this Court's plenary review. Indeed, the court of appeals' opinion is the only appellate decision that has ever directly addressed the Fifth Circuit's aberrational holding in *Burlington Northern* that successful petitioning may be deemed a sham.[33] Further airing of the matter in other circuits is thus necessary both to sharpen and illuminate the issues that arise when an antitrust plaintiff seeks to apply the sham exception to non-baseless petitions and also to permit a further weighing of the issues in light of this Court's ruling in *Allied Tube* that successful petitioning in the legislative arena cannot be deemed a sham. This additional analysis will, in turn, provide valuable guidance to the Court if a review of these issues becomes necessary in the future.[34] Because the issues deserve further study — indeed, because the Fifth Circuit itself deserves an

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[33] Moreover, only one district court has addressed the panel majority's holding in *Burlington Northern. See G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 676 F.Supp. 1436, 1476-77, 1498-99 (E.D. Wisc. 1987), *aff'd on other grounds*, 873 F.2d 985 (7th Cir. 1989) (accepting *Burlington Northern's* holding that successful petitioning may be deemed a sham, but ruling that an antitrust plaintiff who "attempt[s] to base liability on successful petitioning must overcome a strong inference that *Noerr-Pennington* applies" *Id.* at 1477).

[34] *See McCray v. New York*, 461 U.S. 961 (1983) (opinion of Justice Stevens respecting the denial of petitions for writs of certiorari).

opportunity to reconsider its divided opinion in *Burlington Northern* in light of *Allied Tube, Greenwood* and the court of appeals' opinion in this case — the fact that *Burlington Northern,* unlike the court of appeals' opinion here, concluded that under some circumstances successful petitioning could theoretically be deemed a sham does not provide a basis for review in this case. *See McCray, supra.*

CONCLUSION

The Petition for Writ of Certiorari should be denied.

DATED: February 19, 1992

Respectfully submitted,

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Columbia Pictures Industries, Inc.,
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Century Fox Film Corporation,
Universal City Studios, Inc.,
The Walt Disney Company,
Warner Bros. Inc. and CBS Inc.

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

HONORABLE WILLIAM P. GRAY,
JUDGE PRESIDING

COLUMBIA PICTURES INDUSTRIES, INC., ET AL., PLAINTIFFS, VS. PROFESSIONAL REAL ESTATE INVESTORS INC., ET AL., DEFENDANTS.	)	CIVIL NO. 83-2594-WPG
AND RELATED COUNTERCLAIMS.		

REPORTER'S TRANSCRIPT OF PROCEEDINGS

LOS ANGELES, CALIFORNIA

MONDAY, MARCH, 24, 1986

LESLIE L. RICHTER, CSR 840
OFFICIAL COURT REPORTER
546 U.S. COURTHOUSE
312 NORTH SPRING STREET
LOS ANGELES, CALIFORNIA 90012

* * *

[p. 3] LOS ANGELES, CALIFORNIA, MONDAY,
MARCH 24, 1986
9:30 A.M. SESSION

THE CLERK: CIVIL 83-2594, COLUMBIA PICTURES INDUSTRIES, INCORPORATED, ET AL., VERSUS PROFESSIONAL REAL ESTATE INVESTORS.

MR. KROFT: GOOD MORNING, YOUR HONOR. MY NAME IS STEPHEN KROFT AND I'M HERE WITH MY PARTNER, MAREN CHRISTENSEN FOR THE PLAINTIFFS.

MR. KING: GOOD MORNING, YOUR HONOR. MY NAME IS JEFFREY KING AND I'M HERE ON BEHALF OF THE DEFENDANTS WITH LAURA BARNS.

THE COURT: SUBJECT TO ARGUMENT, I'M DISPOSED TO STAY FURTHER PROCEEDINGS IN THIS MATTER PENDING THE APPEAL. I THINK THE ISSUE ON WHICH I GRANTED SUMMARY JUDGMENT IS A VERY CLOSE ONE.

AS A MATTER OF FACT SOME OF YOU MAY KNOW MAROWE FRIEDMAN, WHO IS A PROFESSOR OF LAW AT HOFSTRA UNIVERSITY AND HE LECTURED ON COPYRIGHT MATTERS AND I MENTIONED THIS ONE TO HIM AND HE IMMEDIATELY SAID, "WELL, THAT WAS A PUBLIC USE."

SO AT LEAST HE IS CONVINCED THAT I WAS WRONG.

* * *
